

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES  
INBOUND COMPETITIVE MULTI-SERVICE AGREEMENTS WITH  
FOREIGN POSTAL OPERATORS  
HONGKONG POST – UNITED STATES POSTAL SERVICE  
BILATERAL AGREEMENT (MC2010-34)  
NEGOTIATED SERVICE AGREEMENT

CP2017-130

**NOTICE OF UNITED STATES POSTAL SERVICE OF FILING  
FUNCTIONALLY EQUIVALENT INBOUND COMPETITIVE MULTI-SERVICE  
AGREEMENT WITH A FOREIGN POSTAL OPERATOR, AND APPLICATION FOR  
NON-PUBLIC TREATMENT OF MATERIALS**  
(March 13, 2017)

In accordance with 39 C.F.R. § 3015.5 and Order No. 546,<sup>1</sup> the United States Postal Service (Postal Service) hereby gives notice that the Postal Service has entered into an additional Inbound Competitive Multi-Service Agreement with a Foreign Postal Operator. Pursuant to 39 C.F.R. § 3015.5(a), a change in rates not of general applicability must be filed at least 15 days prior to their effective date; in this case, the rates will take effect April 1, 2017 if approved, so notice and supporting documentation must be filed no later than March 17, 2017. This Notice concerns the inbound competitive portion of a Multi-Product Bilateral Agreement with Hongkong Post (Hongkong Post 2017 Agreement) that the Postal Service seeks to include within the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators (MC2010-34) product.<sup>2</sup>

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<sup>1</sup> PRC Order No. 546, Order Adding Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 to the Competitive Product List and Approving Included Agreement, Docket Nos. MC2010-34 and CP2010-95, September 29, 2010.

<sup>2</sup> By order issued last week, the Commission approved the market-dominant rates within this same Hongkong Post 2017 Agreement. PRC Order No. 3809, Order Approving Inbound Market Dominant

Prices and classifications for competitive products not of general applicability for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, issued August 9, 2010 (Governors' Decision No. 10-3).<sup>3</sup>

The Postal Regulatory Commission (Commission) previously determined, in Order No. 546 (at 8-10), that the agreement with Koninklijke TNT Post BV and TNT Post PakketSERVICE Benelux BV that is the subject of Docket No. CP2010-95 (TNT Post Agreement) should be included in the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-34 and CP2010-95) product. In Order No. 546, the Commission acknowledged that the Postal Service proposed "that additional agreements functionally equivalent to the TNT Agreement be added to the competitive product list as price categories under the Competitive Multi-Service Agreements product."<sup>4</sup> In PRC Order No. 840, the Commission accepted the Postal Service's designation of the TNT Post Agreement "as the baseline agreement for functional

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Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement (with Hongkong Post), Docket No. R2017-5, March 1, 2017.

<sup>3</sup> A redacted copy of the Governors' Decision No. 10-3 was filed on August 13, 2010, and is also filed as Attachment 2 of this Notice. An unredacted copy of this Governors' Decision was filed under seal on the same day with the Request of United States Postal Service to Add Inbound Competitive Multi-Service Agreements with Foreign Postal Operators to the Competitive Product List, and Notice of Filing (Under Seal) of Enabling Governors' Decision and Negotiated Service Agreement, Docket Nos. MC2010-34 and CP2010-95, August 13, 2010. That Request may be accessed at the following link: [http://prc.gov/Docs/69/69690/MC2010-34\\_CP2010-95%20Request\\_Notice.pdf](http://prc.gov/Docs/69/69690/MC2010-34_CP2010-95%20Request_Notice.pdf).

<sup>4</sup> PRC Order No. 546, at 4.

equivalency analyses of the Inbound Competitive Multi-Service Agreement with Foreign Postal Operators 1 product.”<sup>5</sup>

The Hongkong Post 2017 Agreement is functionally equivalent to the baseline TNT Post Agreement because the terms of the agreements remain similar in scope and purpose. Although there are variations in the agreements, the agreements share most terms and clauses in common. Accordingly, the Postal Service requests that the Commission include the Hongkong Post 2017 Agreement within the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-34) product.

The Commission is familiar with the negotiation cycle and regulatory process associated with this bilateral relationship. The Commission determined in Order No. 2578 that the predecessor bilateral agreement with Hongkong Post that was the subject of Docket No. CP2015-91 (Hongkong Post 2015 Agreement) should be included in the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-34) product.<sup>6</sup> That agreement will expire on its own terms on March 31, 2017.<sup>7</sup> The parties intend for the Hongkong Post 2017 Agreement to become effective

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<sup>5</sup> PRC Order No. 840, Order Concerning an Additional Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. CP2011-69, September 7, 2011, at 5.

<sup>6</sup> Order No. 2578, Order Approving Additional Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. CP2015-91, July 10, 2015.

<sup>7</sup> Order No. 3626, Order Approving Modification Three to an Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. CP2015-91, Nov. 22, 2016 (authorizing an extension of the agreement until March 31, 2017); *see also* Order No. 3518, Order Approving Modification Two to an Inbound Competitive Multi-Service Agreements, Docket No. CP2015-91, Sept. 16, 2016 (approving an amendment to the agreement that extended the agreement until Dec. 31, 2016); Order No. 3375, Order Approving Modification One to an Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. CP 2015-91, June 16, 2016 (approving an amendment to the agreement that extended the agreement until Sept. 30, 2016).

on April 1, 2017. The Hongkong Post 2017 Agreement is substantively similar to the Hongkong Post 2015 Agreement reviewed by the Commission in Order No. 2578.

This filing includes the following attachments: an Application for Non-Public Treatment (Attachment 1); a redacted version of the Governors' Decision 10-3, which authorizes inbound competitive agreement with foreign postal operators, subject to certain conditions (Attachment 2); a certified statement concerning the Hongkong Post 2017 Agreement that is required by 39 C.F.R. § 3015.5(c)(2) (Attachment 3); a redacted copy of the Agreement (Attachment 4); and a redacted version of the supporting financial documentation (separate Excel file). Unredacted copies of the Hongkong Post 2017 Agreement and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission.

***Identification of the Additional Inbound Competitive Multi-Service Agreement with a Foreign Postal Operator***

The Postal Service believes that, like the Hongkong Post 2015 Agreement, the Hongkong Post 2017 Agreement fits within the Mail Classification Schedule (MCS) language included as Attachment A to Governors' Decision No. 10-3.<sup>8</sup> The parties intend for the effective date of the rates in the agreement to be April 1, 2017. The rates included in the Hongkong Post 2017 Agreement shall remain in effect until June 30, 2018, unless terminated sooner.<sup>9</sup>

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<sup>8</sup> See *also* Postal Regulatory Commission, Mail Classification Schedule, posted Jan. 22, 2017, available at <http://www.prc.gov/mail-classification-schedule>, 2515.10 Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, at 558-559.

<sup>9</sup> See Attachment 4, Article 22.

In this docket, the Postal Service is presenting only an agreement with Hongkong Post to deliver inbound Air Parcels and EMS in the United States. The rates paid by the Postal Service to Hongkong Post for outbound delivery of the Postal Service's competitive products in Hong Kong have not been presented to the Commission. Those rates represent supplier costs to the Postal Service, which are built into the prices that the Postal Service charges its shipping customers for outbound competitive products to be delivered in Hong Kong. An agreement concerning outbound competitive services with a postal operator, similar to an agreement by the Postal Service to purchase trucking services from highway contractors or to purchase air transportation from air carrier, is not an appropriate subject for prior Commission review.

***Application for Non-public Treatment***

The Postal Service maintains that the redacted portions of the contract and related financial information should remain confidential. Attachment 1 to this Notice is the Postal Service's application for non-public treatment of materials filed under seal in this docket, which includes a full discussion of the required elements.

***Functional Equivalency of Inbound Competitive Multi-Service Agreements with Foreign Postal Operators***

The inbound portion of the Hongkong Post 2017 Agreement is substantially similar to the inbound portion of the TNT Post Agreement with respect to the products and cost characteristics that fall within the scope of the Agreement. Similar to the TNT Post Agreement, the Hongkong Post 2017 Agreement also fits within the parameters outlined in Governors' Decision No. 10-3, which establishes the rates for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators. There are, however, differences between the inbound competitive rates portion of the Hongkong

Post 2017 Agreement and the inbound portion of the TNT Post Agreement. These differences include the following.

- The Hongkong Post 2017 Agreement and the TNT Post Agreement are with different foreign postal operators. As a result, the name and address of the foreign postal operator with whom the agreement is made is different in the title, first paragraph, the article concerning notice (Article 15), signature block and throughout the Hongkong Post 2017 Agreement.
- Article 1, Purpose of the Agreement, identifies different products to which the Hongkong Post 2017 Agreement applies.
- Article 2, Guiding Principles of the Agreement, in the TNT Post Agreement has been deleted from the Hongkong Post 2017 Agreement, and the subsequent articles have been renumbered.
- In Article 2, Oversight and Effective Date, the final sentence has been deleted.
- In Article 3, Conditions Precedent, the text of the Hongkong Post 2017 Agreement is slightly different than the text of the comparable article in the TNT Post Agreement. The text of the second Whereas paragraph has similarly been revised for more clarity.
- Article 4, Limitation on Liability and Costs, has been revised to apply to both parties.
- Article 7, Customs Inspection, has been added.
- Article 8, Termination, has been revised and includes additional details concerning termination.

- Article 9, Dispute Resolution, has been revised with an additional paragraph.
- Article 10, Construction, has been revised to clarify the law to be applied.
- Article 11, Indemnification and Liability, has been revised and includes an additional paragraph.
- Article 13, Confidentiality Requirements, has been revised, including to reference the Annual Compliance Report filings.
- Article 15, Notices, has been revised to update contact information.
- Article 17, Legal Status of this Agreement, has been revised to include an additional sentence at the end of the article to clarify that no third-party beneficiaries are intended.
- In Article 18, Amendment, the text of the two agreements is slightly different.
- Article 19, Assignment, has been revised to delete the second sentence.
- Article 20, Applicability of Other Laws, has been revised to update the citation and to omit paragraph 3 because similar language appears in Article 13, Confidentiality.
- Article 21, Entire Agreement, has been revised so that the Hongkong Post 2017 Agreement references relevant agreements, including the Hongkong Post 2015 Agreement.
- Article 22, Term, has been revised and states that the intended effective date for rates is April 1, 2017, and the Agreement will remain in effect until June 30, 2018.
- Article 23, Intellectual Property, Co-Branding, and Licensing; and Article 24, Survival have been added to the Hongkong Post 2017 Agreement.

- Attachment 1 of the TNT Post Agreement has been replaced by Annex 1, Settlement Rates, of the Hongkong Post 2017 Agreement.
- Annex 4, Detailed Item Content Restrictions, has been added.
- Annex 5, Terms for Operational and Transportation Initiatives, has been added.

Because the Hongkong Post 2017 Agreement and the TNT Post Agreement incorporate the same cost attributes and methodology, the relevant cost and market characteristics are similar, if not the same. The Postal Service does not consider that the specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the agreements. Nothing detracts from the conclusion that these agreements are “functionally equivalent in all pertinent respects.”<sup>10</sup>

### ***Conclusion***

For the reasons discussed, and as demonstrated by the financial data filed under seal, the Postal Service has established that the Hongkong Post 2017 Agreement is in compliance with the requirements of 39 U.S.C. § 3633 and is functionally equivalent to the TNT Post Agreement, which was included in the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators (MC2010-34) product. Accordingly, the Hongkong Post 2017 Agreement should be added to the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators (MC2010-34) product.

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<sup>10</sup> PRC Order No. 85, Order Concerning Global Plus Negotiated Service Agreements, Docket No. CP2008-8 et al., June 27, 2008, at 8.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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March 13, 2017

## ATTACHMENT 1

### APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21 and Order No. 225,<sup>1</sup> the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The materials pertain to the inbound competitive multi-service agreement between the Hongkong Post and the United States Postal Service at issue in this proceeding (Agreement). The unredacted Agreement and supporting documents establishing compliance are being filed separately under seal with the Commission. A redacted copy of the Agreement is filed with the Notice as Attachment 4. In addition, a redacted version of the supporting financial documentation is included with this public filing as a separate Excel file.

The Postal Service hereby furnishes below the justification required by 39 C.F.R. § 3007.21(c) for this Application.

**(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);**

The materials designated as non-public consist of information of a commercial nature that would not be publicly disclosed under good business practices. In the Postal Service's view, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (4).<sup>2</sup> Because the

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<sup>1</sup> PRC Order No. 225, Final Rule Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.

<sup>2</sup> In appropriate circumstances, the Commission may determine the proper level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury,

portions of the materials that the Postal Service seeks to file under seal fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and to grant its application for their non-public treatment.

**(2) Identification, including name, phone number, and e-mail address for any third party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;**

In the case of this Agreement and supporting documents, the Postal Service believes that the only third party with a proprietary interest in the materials is the foreign postal operator with which the contract is made. Through text in the Agreement, the Postal Service has already informed the postal operator, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and the operator's ability to address its confidentiality concerns directly with the Commission. Due to the sensitive nature of the Postal Service's rate relationship with the affected foreign postal operator, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices concerning the Agreement. The Postal Service identifies as an appropriate contact person Ms. Teresa Yeager, General Manager, Asia Pacific Business Development, Global Business Solutions, United States Postal Service. Ms. Yeager's phone number is (202) 268-2925, and her email address is [teresa.y.yeager@usps.gov](mailto:teresa.y.yeager@usps.gov).<sup>3</sup>

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such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

<sup>3</sup> The Postal Service acknowledges that 39 C.F.R. § 3007.21(c)(2) appears to contemplate only situations where a third party's identification is "sensitive" as permitting the designation of a Postal Service employee who shall act as an intermediary for notice purposes. To the extent that the Postal Service's filing might be construed as beyond the scope of the Commission's rules, the Postal Service respectfully

**(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;**

In connection with its Notice filed in this docket, the Postal Service included the Agreement and financial workpapers. The Postal Service maintains that the redacted portions of the Agreement and related financial information should remain confidential.

With regard to the Agreement filed in this docket, the redactions withhold the actual prices being offered between the parties under the Agreement, as well as certain negotiated terms, such as certain business rules concerning payment settlement procedures, as well as information concerning the outbound product that is the subject of Annex 6. The redactions applied to the financial workpapers protect commercially sensitive information such as underlying costs and assumptions, negotiated pricing, and cost coverage projections.

**(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;**

If the portions of the Agreement that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it could suffer commercial harm. Pricing and other negotiated contract terms are commercially sensitive, and would not be disclosed under good business practices. Other foreign postal operators could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service. Competitors could also use the information to assess the offers made by the Postal Service to foreign postal operators

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requests a waiver to designate a Postal Service employee as the contact person under these circumstances, for the reasons provided in the text above.

or other customers for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial workpapers include specific information such as costs, assumptions used in pricing decisions, the negotiated prices themselves, projections of variables, and contingency rates included to account for market fluctuations and exchange risks. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the floor for Postal Service pricing, in light of statutory, regulatory, or policy constraints. Thus, competitors would be able to take advantage of the information to offer lower pricing to postal customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound delivery services markets. Given that these spreadsheets are filed in their native format, there is a reasonable likelihood that the information could be used in this way.

Potential customers could also deduce from the rates provided in the Agreement or from the information in the workpapers whether additional margin for net contribution exists. The settlement charges between the Postal Service and the foreign postal operator constitute costs underlying the postal services offered to each postal operator's customers, and disclosure of this cost basis would upset the balance of Postal Service negotiations with contract customers by allowing them to negotiate, rightly or wrongly, on the basis of the Postal Service's perceived supplier costs.

From this information, each foreign postal operator or customer could also attempt to negotiate ever-decreasing prices, such that the Postal Service's ability to negotiate competitive, yet financially sound, rates would be compromised. Even the foreign postal operator involved in the Agreement at issue in this docket could use the information in the workpapers in an attempt to renegotiate the rates in its instrument by threatening to terminate any currently agreed-upon terms.

Price information in the Agreement and financial spreadsheets also consists of sensitive commercial information of the foreign postal operator. Disclosure of such information could be used by competitors of the foreign postal operator to assess the foreign postal operator's underlying costs, and thereby develop a benchmark for the development of a competitive alternative. The foreign postal operator would also be exposed to the same risks as the Postal Service in customer negotiations based on the disclosure of its supplier costs.

**(5) At least one specific hypothetical, illustrative example of each alleged harm;**

Harm: Public disclosure of the prices in the Agreement, as well as any negotiated terms, would provide foreign postal operators or other potential customers extraordinary negotiating power to extract lower rates from the Postal Service.

Hypothetical: The negotiated prices are disclosed publicly on the Postal Regulatory Commission's website, which another postal operator sees. That other postal operator then uses that publicly disclosed rate information to insist that it must receive lower rates than those the Postal Service has offered it.

Harm: Public disclosure of information in the financial workpapers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing delivery service obtains unredacted versions of the financial workpapers from the Postal Regulatory Commission's website. The competitor

analyzes the workpapers to determine what the Postal Service would have to charge its customers in order to comply with business or legal considerations regarding cost coverage and contribution to institutional costs. The competing delivery service then sets its own rates for products similar to what the Postal Service offers its customers below that threshold and markets its purported ability to beat the Postal Service on price for international delivery services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal Service out of one or more relevant international delivery markets. Even if the competing providers do not manage wholly to freeze out the Postal Service, they would significantly cut into the revenue streams upon which the Postal Service relies to finance provision of universal service.

Harm: Public disclosure of information in the financial workpapers would be used detrimentally by the foreign postal operator's competitors.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the workpapers to assess the foreign postal operator's underlying costs for the corresponding products. The competitor uses that information as a baseline to negotiate with U.S. or other companies to develop lower-cost alternatives.

**(6) The extent of protection from public disclosure deemed to be necessary;**

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for international delivery products (including both private sector integrators and foreign postal operators), as well as their consultants and attorneys.

Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products (including other postal operators) should not be provided access to the non-public materials. This includes the counter-party to the Agreement with respect to all materials filed under seal, except for the text of the postal operator's Agreement, to which that counter-party already has access.

**(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and**

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

**(8) Any other factors or reasons relevant to support the application.**

None.

***Conclusion***

For the reasons discussed, the Postal Service respectfully requests that the Commission grant its application for non-public treatment of the identified materials.

"RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE"

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE  
ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR INBOUND COMPETITIVE  
MULTI-SERVICE AGREEMENTS WITH FOREIGN POSTAL OPERATORS  
(GOVERNORS' DECISION NO. 10-3)**

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August 6, 2010

**STATEMENT OF EXPLANATION AND JUSTIFICATION**

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices. This decision establishes prices by setting price floor and price ceiling formulas for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators. The agreements to which these prices will apply are described in Attachment A.<sup>1</sup> The pricing formulas and management's analysis of the appropriateness of these formulas are specified in Attachment B. We have reviewed that analysis and have concluded that the prices and classification changes are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. Agreements that fall within the terms specified in Attachment A, and whose prices fall within the price ranges established by the price floor and price ceiling formulas specified in Attachment B, are hereby authorized.

The PAEA provides that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. We are satisfied that the prices established according to the formulas listed in Attachment B will enhance the Postal Service's ability to meet the applicable statutory and regulatory requirements. We accept and rely upon the certification in Attachment C that the correct cost inputs for the formulas have been identified. In addition, the price floor formulas should produce prices that allow each product to cover attributable costs and

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<sup>1</sup> Because the Postal Service is creating a new grouping for Inbound Competitive Multi-Service Agreements with Foreign Postal Administrations, entirely new Mail Classification Schedule language is proposed.

"RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE"

Governors' Decision No. 10-3

Page 2

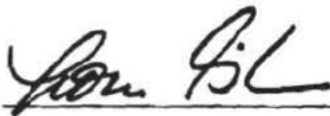
provide a contribution toward the Postal Service's institutional costs. The prices should thus prevent cross-subsidies from market dominant products. As noted in the certification in Attachment C, entry into agreements pursuant to this Decision should not impair the ability of competitive products as a whole to cover an appropriate share of institutional costs.

No agreement authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3).

**ORDER**

In accordance with the foregoing Decision of the Governors, the formulas set forth herein, which establish prices for the applicable Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:

A handwritten signature in dark ink, appearing to read "Lou Giuliano", is written over a horizontal line.

Louis J. Giuliano  
Chairman

## **Attachment A**

### **Description of Applicable Inbound Competitive Multi-Service Agreements with Foreign Postal Operators**

#### **2614 Inbound Competitive Multi-Service Agreements with Foreign Postal Operators**

##### **2614.1 Description**

- a. Inbound Competitive Multi-Service Agreements with Foreign Postal Operators provide prices for acceptance, transportation within the United States, and delivery of any combination of Inbound Air Parcel Post, Inbound Surface Parcel Post, Inbound Direct Entry, and/or Inbound International Expedited Services (Express Mail Service) tendered by foreign postal operators. These constituent services may include other services that the relevant foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in a similar manner within the United States Postal Service's network. Such agreements may also establish negotiated rates for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.
- b. Inbound Competitive Multi-Service Agreements with Foreign Postal Operators may set forth general operating terms and conditions, on-time delivery and scanning service performance targets and standards, specifications for mail product categories and formats, processes for indemnity, and shared transportation arrangements that modify the requirements generally applicable to the services covered by each agreement.
- c. Items tendered under Inbound Competitive Multi-Service Agreements with Foreign Postal Operators items are either sealed or not sealed against inspection, according to the general nature of each underlying service.

##### **2614.2 Size and Weight Limitations**

Size and weight requirements are the requirements for Inbound Air Parcel Post at UPU Rates, Inbound Surface Parcel Post (at UPU Rates), Inbound Direct Entry, and Inbound International Expedited Services (Express Mail Service), respectively, subject to any applicable country-specific modifications.

##### **2614.3 Optional Features**

The Postal Service may offer such optional features as may be mutually agreed with the relevant foreign postal operator.

2614.4

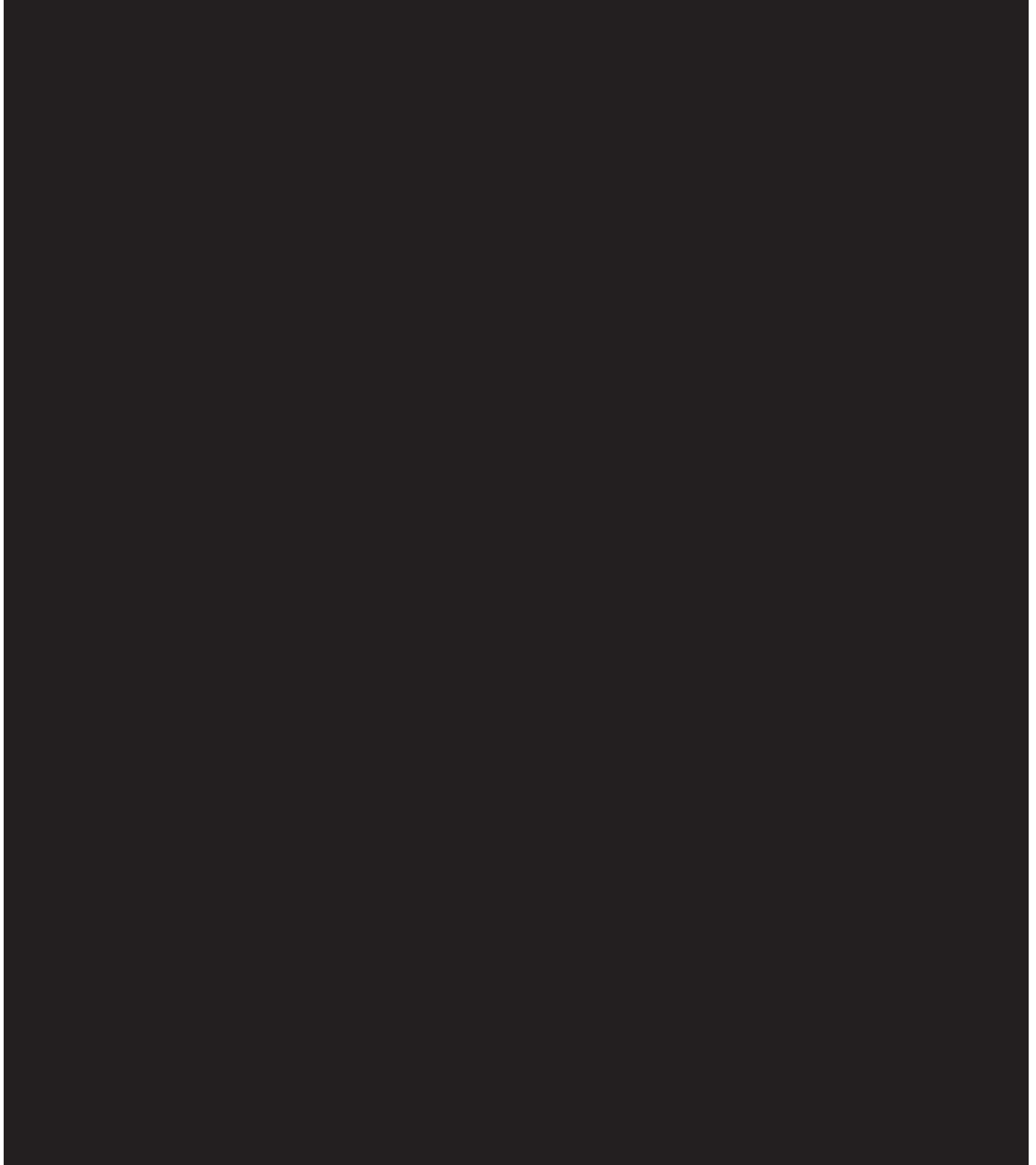
Products Included in Group (Agreements)

- Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-X, CP2010-X)

"Restricted and Sensitive Business Information - Do Not Disclose."

## **Attachment B**

### **Formulas for Prices Under Applicable Inbound Competitive Multi-Service Agreements with Foreign Postal Operators**



"Restricted and Sensitive Business Information - Do Not Disclose."



**Attachment C**

**Certification of Prices for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators**

I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the price formulas for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, which are set forth in Attachment B. I hereby certify that these formulas adequately represent all necessary cost elements. If the Postal Service were to enter into agreements and offer services that set prices above the price floors, the Postal Service would be in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The price floor formulas are designed to ensure that each agreement and service should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2009, all international competitive mail accounted for a relatively small percentage of the total contribution by all competitive products. Contribution from Inbound Competitive Multi-Service Agreements with Foreign Postal Operators should be much smaller. Even if all such agreements are signed with prices at the price floor, they should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



Joseph Moeller

**CERTIFICATION OF GOVERNORS' VOTE  
IN THE  
GOVERNORS' DECISION NO. 10-3**

I hereby certify that the Governors voted on adopting Governors' Decision No. 10-3, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.

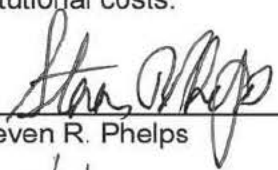
  
\_\_\_\_\_  
Julie S. Moore  
Secretary of the Board of Governors

Date: 8-9-2010

**Certification of Prices for the Inbound Competitive Multi-Service Agreement with  
Hongkong Post**

I, Steven R. Phelps, Manager of Revenue Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the inbound competitive services in the Hongkong Post – United States Postal Service Bilateral Agreement. The prices contained in this agreement were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, issued August 6, 2010 (Governors' Decision No. 10-3).

I hereby certify that the cost coverage for the agreement with Hongkong Post has been appropriately determined and represents the best available information. The prices are in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The prices demonstrate that the agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from this agreement should be much smaller. The agreement with Hongkong Post should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

  
\_\_\_\_\_  
Steven R. Phelps

3/10/17  
\_\_\_\_\_  
Date

## **HONGKONG POST – UNITED STATES POSTAL SERVICE BILATERAL AGREEMENT**

This Agreement ("Agreement") is between the United States Postal Service ("USPS"), an independent establishment of the Executive Branch of the Government of the United States with offices at 475 L'Enfant Plaza, SW, Washington, DC 20260, and Hongkong Post ("Hongkong Post"), a government branch of the Hong Kong Special Administrative Region of People's Republic of China, and having a place of business at 4/F Hongkong Post Headquarters 2 Connaught Place, Central, Hong Kong. The USPS and Hongkong Post may be referred to individually as a "Party" and together as the "Parties."

### **INTRODUCTION**

WHEREAS, the Parties desire to enter into a non-exclusive relationship whereby the Parties shall provide each other certain products and/or services pursuant to the terms and conditions contained herein;

WHEREAS, the Parties acknowledge and understand that the commencement of performance under this Agreement is subject to the approval of and/or non-objection by various entities with oversight responsibilities, which may include but not be limited to the USPS senior management, the USPS Governors, the USPS Board of Governors, and/or the U.S. Postal Regulatory Commission. Accordingly, Hongkong Post acknowledges and understands that the ability of the USPS to perform under this Agreement may not occur, and in this respect the provisions of Article 2 and 3 shall apply;

WHEREAS, in light of the aforementioned acknowledgements, the Parties desire to be bound by the terms of this Agreement, including the terms of Article 3 of this Agreement entitled "Conditions Precedent";

NOW, THEREFORE, in consideration of the mutual promises set forth below, the Parties hereby agree as follows:

### **Article 1: Purpose of the Agreement**

The purposes of this Agreement are the following:

1. To foster the maintenance and further development of a mutually beneficial relationship on behalf of the Parties' respective customers;
2. To set out the rates, principles, and general terms and conditions that shall apply to the exchange of certain international products and services between the Parties; and
3. To set out the bilateral rates that will apply to the exchange of certain letter class, parcel, and Express Mail Service (EMS) products, as further detailed and set forth in the Annexes to this Agreement.

### **Article 2: Oversight and Effective Date**

The terms and pricing set forth under this Agreement require approval from various entities that have oversight responsibilities for the USPS as set out in Article 3 below. Upon execution of this Agreement, the USPS shall seek such approval. This Agreement shall come into effect upon all such approvals having been obtained by USPS and notification to Hongkong Post by the USPS that all such approvals have been obtained. The date of notification shall be "the Effective Date," unless an alternative date is proposed in the USPS's notification and agreed to by Hongkong Post in a return communication, in which case that alternative date shall be the Effective Date.

### **Article 3: Conditions Precedent**

The Parties acknowledge and understand that all obligations of the USPS under this Agreement shall be contingent on the USPS receiving approvals from, and/or non-objection by (hereinafter "Conditions Precedent"), one or more internal and external bodies that have oversight responsibilities. Conditions Precedent may include but are not limited to: approvals or, if applicable, non-objection, from USPS senior management, the USPS Governors, the USPS Board of Governors, and the U.S. Postal Regulatory Commission. The Parties acknowledge that the Agreement might not be approved by such bodies. Until such time that all Conditions Precedent are fulfilled that are necessary to provide the products or services contemplated under the Agreement, no obligation shall exist for the USPS or Hongkong Post and no benefit or rights granted through this Agreement shall inure to either Party unless and until the Effective Date occurs.

### **Article 4: Limitation on Liability and Costs**

In the event that the Conditions Precedent are not fulfilled, the USPS and Hongkong Post shall have no liability, which shall include no obligation to pay costs associated with any action taken by Hongkong Post prior to the Effective Date of the Agreement. Further, in the event of termination of the Agreement or the failure of any Condition Precedent, neither Party shall be held liable for any damages including, without limitation, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; or any other damages, which shall include but not be limited to damages for loss of business profits; business interruption; any other loss; and/or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

### **Article 5: Price Changes; No Effect on Service Terms**

For each of the services with specific terms and conditions set forth in an attachment to this Agreement, any adjustments to the rates for the services shall be subject to the terms and conditions set forth in the Annexes of this Agreement.

### **Article 6: Monetary Transactions**

1. Each Party shall bear the costs and retain the revenues for any work performed by itself and by agents or contractors on its behalf, unless the Parties agree to other arrangements to allocate costs or revenues and those arrangements are incorporated in an Amendment to this Agreement. Any such Amendment shall be governed by Article 18 below.
2. All taxes and duties are the sole responsibility of the Party to whom they are duly assessed and shall not be charged to any other Party in any form unless the Parties otherwise provide in an Amendment to this Agreement. Any such Amendment shall be governed by Article 18 below.

### **Article 7: Customs Inspection**

USPS bears no responsibility for the disposition of items in the custody of U.S. Customs & Border Protection. Further, Hongkong Post understands that all contents of any item, including items that are treated as sealed mail under USPS regulations, are subject to inbound search and inspection by U.S. Customs & Border Protection, regardless of when the USPS elects to conduct verification and acceptance of any inbound items.

### **Article 8: Termination**

1. Either Party may terminate this Agreement without cause upon 30 days advance written notice to be served on the other Party, with such termination effective as of the end of the calendar month in which the 30-day notice period expires. The right to terminate the Agreement for good cause remains unaffected.

2. In the event of termination of the Agreement under this Article, the Parties shall be liable to make final settlement of all amounts owing as of the effective date of the termination. Each Party shall bear its own costs in the event of termination. All further rights and remedies shall remain unaffected.
3. In the event of termination, and as of the effective date of termination, [REDACTED]  
[REDACTED]  
[REDACTED] neither Party shall be liable to the other for any damages including, without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason incurred as a result of the [REDACTED].

#### **Article 9: Dispute Resolution**

1. The Parties intend to resolve all controversies under this Agreement informally through correspondence, oral communications, and informal meetings.
2. If the method described in the above paragraph proves insufficient to resolve a controversy, the Parties agree that the signatories to this Agreement, or their replacements, shall provide a written description of the controversy to the other Party and a suggested outcome. They shall review the information provided and shall attempt in good faith to come to an agreement on the issue through correspondence, oral communications, or informal meetings.
3. If the methods described in the above paragraph prove insufficient to resolve a controversy, the Parties agree to refer that controversy to mediation, which shall consist of an informal, nonbinding conference or conferences between the Parties and the mediator, who shall perform mediation responsibilities in the English language. The mediator shall be selected as mutually agreed by the Parties.
4. With the exception of controversies concerning cost or revenue liability, mediation shall provide the sole means for addressing controversies related to this Agreement. If mediation does not resolve such a controversy, the Parties may exercise their right to terminate.
5. For controversies related to cost or revenue liability, Hongkong Post and the USPS shall first refer the matter to mediation as discussed in the above paragraphs. If mediation does not resolve such a controversy, an action relating to cost or revenue liability may be instituted and maintained only in the United States District Court for the District of Columbia. The Parties each irrevocably submit to the exclusive personal jurisdiction of the United States District Court for the District of Columbia and waive any objection to the laying of venue in that court, to the convenience of that forum, and to that court's personal jurisdiction over the Parties, including any arguments about sovereign immunity.
6. Notwithstanding the provisions of this Article 9, in the event of conflict or inconsistency between the provisions of this Article 9 and Article 11, paragraph 1, the provisions of Article 11, paragraph 1 shall prevail.

#### **Article 10: Construction**

Except as otherwise provided in this Agreement, this Agreement shall be governed by and construed in accordance with U.S. Federal law. To the extent this Agreement is not covered by the Federal law of the United States, the law of the state of New York shall apply.

#### Article 11: Indemnification and Liability

1. The Parties acknowledge that aspects of liability or indemnification [REDACTED] in favor of third Parties not expressly governed by this Agreement are subject to the appropriate provisions of the Acts of the Universal Postal Union ("UPU") and any reservations the Parties have taken to those instruments.
2. In the event that an entity not party to this Agreement asserts claims against Hongkong Post or USPS that are attributable to the actions of the other Party to this Agreement and are not subject to the provisions of the UPU Acts, the latter Party shall indemnify the defending Party for, and hold the defending Party harmless from, any losses, damages or liabilities suffered by the defending Party as a result. In that instance, the indemnifying Party shall also reimburse the defending Party for all reasonable expenses incurred in connection with investigating, preparing for, or defending any such claim, whether in an administrative, regulatory or judicial proceeding, and whether or not the indemnifying Party is named in the proceeding.
3. Neither Party to this Agreement shall be liable to the other Party, nor shall they indemnify the other Party for any loss or damage including special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason, except for the following:
  - a. liability and indemnification as described in Article 11, paragraph 1,
  - b. final settlement under Article 8, or
  - c. any actual damage or loss suffered by a Party as a result of a breach of this Agreement by the other Party.
4. Nothing in this Agreement shall be construed as an acknowledgment or concession regarding the validity of any claim or the entitlement of any Party to any amount of damages.

#### Article 12: Language

The official version of this Agreement, including all supporting documentation and correspondence, shall be in English. The English language shall be the controlling language for the purpose of interpreting this Agreement, and all correspondence between the Parties pertaining to this Agreement shall be in the English language. In the event of inconsistency between any terms of this Agreement, including its supporting documentation and correspondence, and any translation into another language, the English language meaning shall control.

#### Article 13: Confidentiality Requirements

1. The Parties consider the rate information included in this Agreement to be commercially sensitive information and agree that it should not be disclosed to third parties except as required by law. Hongkong Post shall treat as confidential and not disclose to third parties, absent express written consent by the USPS, any information related to this Agreement that is treated as non-public by the U.S. Postal Regulatory Commission ("Commission"). Except as required by U.S. law, USPS shall treat as confidential and not disclose to third parties, absent express written consent by Hongkong Post, any information related to this Agreement and proprietary to Hongkong Post that is treated as non-public by the U.S. Postal Regulatory Commission.
2. Hongkong Post acknowledges that United States law may require that this Agreement and supporting documentation be filed with the Commission in a docketed proceeding. In addition, Hongkong Post acknowledges that United States law may require that this Agreement be filed with the U.S. Department of State. Hongkong Post authorizes the USPS to determine the scope of information that must be made publicly available under the Commission's rules. Hongkong Post further understands that any unredacted portion of this Agreement or supporting documentation may be posted on the Commission's public website, [www.prc.gov](http://www.prc.gov). In addition, the

USPS may file information in connection with this Agreement (including revenue, cost, or volume data) in other Commission dockets, including the Commission docket numbers for the Annual Compliance Report (ACR) for the USPS fiscal year(s) in which the Agreement is in effect. Each ACR docket has a distinct docket number, such as ACR201#, in which ACR201# signifies the USPS fiscal year to which the ACR pertains. Hongkong Post has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the Commission for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22, on the Commission's website: [www.prc.gov/Docs/63/63467/Order225.pdf](http://www.prc.gov/Docs/63/63467/Order225.pdf). At Hongkong Post's request, the USPS shall notify Hongkong Post of the docket number of the Commission proceeding to establish the rates in this instrument under U.S. law, once that docket number has been assigned.

**Article 14: Severability**

If any of the provisions of this Agreement shall be held void or unenforceable, the other provisions shall survive and remain in full force and effect, subject only to either Party's unilateral right to terminate the Agreement.

**Article 15: Notices**

Any notice or other document to be given under this Agreement shall be in writing and addressed as set out below. Notices may be delivered by hand, email, or Express Mail Service.

To the USPS:

Teresa Yeager  
General Manager  
Business Development, Asia Pacific  
United States Postal Service  
475 L'Enfant Plaza, SW, Room 5821  
Washington, DC 20260-0906  
1-202-268-2925  
[teresa.y.yeager@usps.gov](mailto:teresa.y.yeager@usps.gov)

To Hongkong Post:

[REDACTED]  
[REDACTED]  
[REDACTED]  
Hongkong Post Headquarters  
2 Connaught Place, Central  
Hong Kong  
[REDACTED]  
[REDACTED]

**Article 16: Force Majeure**

Neither Party shall be liable for its failure to perform under the terms of this Agreement due to any contingency beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, whether valid or invalid, court orders, whether valid or invalid, inability to obtain material, equipment, or transportation, and any other similar or different contingency.

**Article 17: Legal Status of this Agreement**

This Agreement constitutes a legally binding agreement on the part of each signatory hereto and does not bind the Parties' respective governments. The Parties acknowledge that this Agreement sets out the

terms and conditions of a negotiated contractual arrangement between the Parties and is not an agreement entered into or subject to international law. This Agreement does not involve the creation of a wholly-owned subsidiary of any Party or a joint venture company or partnership funded in any ratio by the Parties. The Parties do not intend that any agency or partnership relationship be created between any of them by this Agreement. Through this Agreement, the Parties do not create or designate any third-party beneficiaries.

#### **Article 18: Amendment**

This Agreement may be amended or extended only by mutual written agreement signed by authorized representatives of Hongkong Post and USPS (an "Amendment"). Neither a Party's acquiescence in any performance at variance to this Agreement nor a Party's failure to exercise any right or enforce any obligation shall be deemed an amendment to this Agreement. The Amendment may be contingent upon any and all necessary approvals by USPS senior management, the USPS Governors, the USPS Board of Governors, and/or the U.S. Postal Regulatory Commission. If such approvals are required, the Amendment shall not become effective until such time as all necessary approvals are obtained.

#### **Article 19: Assignment**

This Agreement may not be assigned in whole or in part by any Party without the prior written consent of the other Party.

#### **Article 20: Applicability of Other Laws**

1. The Parties acknowledge that this Agreement does not involve the USPS's acquisition of property or services and is not subject to the Contract Disputes Act (41 U.S.C. §§ 7101 et seq.).
2. The Parties recognize that performance under this Agreement may be subject to laws enacted or enforced by governmental entities and is contingent on each Party obtaining all consents, authorizations, orders, or approvals required under applicable law of policy to effectuate the Agreement.

#### **Article 21: Entire Agreement**

1. Except as otherwise provided in this Agreement, this Agreement, including all Annexes to this Agreement, shall constitute the entire agreement between the Parties concerning the exchange of international mail described herein.
2. Neither Hongkong Post nor the USPS is released from any remaining obligations arising under the Hongkong Post – United States Postal Service Letter Post Bilateral Agreement executed by Hongkong Post on July 30, 2015, and by the USPS on July 30, 2015, as amended by Modification One executed by Hongkong Post on November 16, 2016 and by the USPS on November 16, 2016.
3. Neither Hongkong Post nor the USPS is released from any obligations arising under the Hongkong Post – United States Postal Service Air Parcel and EMS Agreement executed by Hongkong Post on June 25, 2015, and by the USPS on June 25, 2015, as amended by Modification One executed by Hongkong Post on June 14, 2016, and by the USPS on June 14, 2016, and Modification Two executed by Hongkong Post on September 12, 2016, and by the USPS on September 14, 2016, and Modification Three executed by Hongkong Post on November 16, 2016 and by the USPS on November 16, 2016.
4. Neither Hongkong Post nor USPS is released from any obligations arising under the Licensing Agreement for the Use of USPS Trademarks and/or Logos on Packaging, Labels, and/or Marketing Materials by Entities outside the United States executed by Hongkong Post on September 20, 2011, and by the United States Postal Service on October 19, 2011.

5. [REDACTED]
6. With the exception of the agreements mentioned in Paragraphs 2, 3, 4, and 5 of this Article, or as otherwise indicated in this Agreement, any prior agreement, understanding, or representation of any kind pertaining to the subject matter of this Agreement and preceding the date of this Agreement shall not be binding upon either Party.
7. The Parties acknowledge that the provisions of the Universal Postal Convention and applicable regulations, including, but not limited to, provisions concerning weight and size of letter post, [REDACTED], apply except to the extent inconsistent with this Agreement.

#### **Article 22: Term**

1. The Parties intend that the effective date of the settlement rates for the products set forth in Annex 1 of this Agreement should be April 1, 2017.
2. The USPS shall notify Hongkong Post of the Effective Date of the Agreement within thirty (30) days after receiving the approval of the entities that have oversight responsibilities for the USPS. USPS shall have no obligation to notify Hongkong Post of the status of the approval process or of potential fulfillment of the approval process. The Agreement shall remain in effect until June 30, 2018, unless terminated sooner pursuant to Article 8. Prior to the expiration of this period, the Agreement shall be re-evaluated by both Parties on whether to extend the agreement for another year or otherwise modify the Agreement.

#### **Article 23: Intellectual Property, Co-Branding, and Licensing**

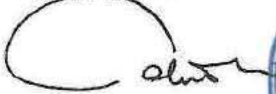
The Parties acknowledge that in the service of improving existing international products or developing new international products or services under this Agreement, such products or services may be enhanced through the use of co-branding or the use of each Party's trademarks, logos, or other intellectual property. In such instances, the Parties acknowledge and agree that any use shall be subject to separate written license agreements. The Parties acknowledge and agree that neither Party shall use the other Party's trademarks, logos, or other intellectual property until such time that a license for each specific such use has been executed by the Parties and that all laws and regulations required for such license's effectiveness have been followed. Hongkong Post acknowledges and agrees that USPS is the owner of the trademarks USPS®, USPS ePacket®, ePacket®, Commercial ePacket®, United States Postal Service®, and United States Postal Service® and Eagle Design, among other USPS marks (also known as the "USPS Marks"); that Hongkong Post may use the USPS Marks only with express written permission and under license from USPS; and that any uses by Hongkong Post of USPS Marks shall inure to the benefit of USPS. USPS acknowledges and agrees that Hongkong Post has the ability to sublicense the mark ePACKET, and, in the spirit of joint cooperation, the Parties agree to work on an agreement regarding the ePACKET mark separate and apart from this Agreement.

#### **Article 24: Survival**

The provisions of Articles 4, 6, 8, 9, 10, 11, 12, 13, 14, 15, 21, 22, and 23 shall survive the conclusion or termination of this Agreement, as well as any other terms insofar as they apply to the Parties' continuing obligations to one another under the articles listed above.

IN WITNESS WHEREOF, the Parties agree to be bound as of the latest date of signature to the terms and conditions of this Agreement.

Hongkong Post



Patrick Lin  
Director (External Affairs)  
Business



United States Postal Service



Cliff Rucker  
Senior Vice President, Sales and Customer Relations

-7 FEB 2017

Date

2/9/17

Date

**Annex 1: Settlement Rates**

***Rates***

The rates below shall be in effect for the term of this Agreement, as set forth in Article 22. Changes in rates during the term of this Agreement shall be negotiated and agreed to in accordance with Article 18.

The provisions of Articles 3 and 4 shall apply to the USPS's ability to give effect to any agreed-upon rates, such that the agreement of the USPS to any change in rates is accordingly contingent upon any and all necessary approvals by USPS senior management, the USPS Governors, the USPS Board of Governors, and/or the U.S. Postal Regulatory Commission. The approval process may extend well beyond the originally intended effective date. If such approvals are required, the rates cannot become effective until such time as all necessary approvals are obtained.

Settlement rates listed in the tables included below are product stream rates per piece and per kilogram stated in Special Drawing Rights (SDRs) unless noted otherwise. Any changes to current specifications (i.e., sortation and preparation) must be agreed to in writing by both Parties as provided in Article 18 of this Agreement.

| Products Hong Kong to USA in SDR |                                     |                                           |                                        |
|----------------------------------|-------------------------------------|-------------------------------------------|----------------------------------------|
| Stream                           | Service Description                 | Proposed Settlement Charges (SDR / Piece) | Proposed Settlement Charges (SDR / Kg) |
| A, UD, BG                        | SMALL PACKET WITH DELIVERY SCANNING |                                           |                                        |
|                                  |                                     |                                           |                                        |

| Products USA to Hong Kong in SDR |                     |                                           |                                        |
|----------------------------------|---------------------|-------------------------------------------|----------------------------------------|
| Stream                           | Service Description | Proposed Settlement Charges (SDR / Piece) | Proposed Settlement Charges (SDR / Kg) |
|                                  |                     |                                           |                                        |

/1 A "Stream" is defined by Mail Category, Mail Subclass/Receptacle Subclass, and Receptacle Type. Mail Category "All" indicates mail streams A, B, and C.

/2 This Annex reflects all applicable rates between the Parties concerning the Streams listed in the rate table above as of the Effective Date. The UPU rates shall continue to apply to all mail streams that are not reflected in this rate table.

/4 Sortation shall occur in accordance with Annex 5 and as stated elsewhere in this Agreement.

Notes concerning Table of Settlement Rates above

\* The above rates for small packet with delivery scanning are inclusive of any applicable air conveyance charges.

**Specifications of Letter Post Product Categories and Formats**

The rates for the stream categories above shall be based upon the following format and product definitions:

Small Packets with Delivery Scanning – Hong Kong to USA  
Refer to Annexes 2 and 3 of this Agreement.



## **Annex 2: Hong Kong to United States Small Packets with Delivery Scanning (ePacket)**

### ***Package Specific Preparation Requirements***

1. **Package Dimensions and Weight.** Each package shipped under this Agreement must conform to the minimum and maximum size and weight requirements specified in the UPU Letter Post Manual, including but not limited to UPU Articles RL 122 and RL 123, except as otherwise stated in this Agreement including in Annex 1.
2. **Package Contents.** Packages shall conform to the importation restrictions of the United States as set forth in the *Mailing Standards of the United States Postal Service*, International Mail Manual, section 710 ("U.S. Customs Information"), which can be accessed online at [http://pe.usps.com/text/imm/immc7\\_001.htm](http://pe.usps.com/text/imm/immc7_001.htm); and in accordance with the United States country listing in the UPU's List of Prohibited Items, which can be accessed at the UPU website at <http://www.upu.int/en/activities/customs/prohibited-and-restricted-articles/cds-list-of-prohibited-and-restricted-articles.html>. Packages should also conform to USPS's regulations on Mailable Dangerous Goods as set forth in IMM section 135, which can be accessed online at [http://pe.usps.com/text/imm/immc1\\_014.htm](http://pe.usps.com/text/imm/immc1_014.htm). USPS shall not be responsible for the contents or customs status of any packages imported under this Agreement. For packages seized or disposed of by U.S. Customs and Border Protection and not released, the sending post shall not be charged postage for those packages. For packages detained but eventually released, applicable postage shall apply. The sending post agrees to communicate these requirements to shippers as a condition of shipment.
3. **Package Labeling.** The bilaterally agreed upon, co-designed label shall be displayed on the outside of each small packet with delivery scanning (ePacket). Customers in Hong Kong shall use the HKP-certified software to print labels which shall include a barcode that meets the specifications set forth in UPU Letter Post regulations. The barcode shall utilize the LK prefix of the UPU S10 barcode construct. The sample label is presented in Annex 3. In addition, each item shall display a complete and accurate customs declaration.

### ***Receptacle Preparation Requirements***

1. **Separation from other products.** The Small Packet with Delivery Scanning (ePacket) product that is described in this Agreement shall be sorted in receptacles separate from other mail pieces. Other international products, including, but not limited to, other Letter Post products (such as Registered Mail), Express Mail Service (EMS), Air Parcels (Air CP), and direct entry packages, may not be commingled in receptacles containing Small Packet with Delivery Scanning (ePacket) items.
2. **Receptacle Identification.** Each receptacle shall contain a 29-character UPU barcode containing the bilaterally agreed-upon mail subclass code.
3. **Receptacle Routing.** To expedite the processing and delivery of these packages, the sending post may present receptacles to corresponding Offices of Exchange (OEs) per the routings outlined in Annex 5.

### ***Dispatch Preparation Requirements***

1. **Separation from other products.** The Small Packet with Delivery Scanning (ePacket) product that is described in this Agreement shall be dispatched separately from other mail pieces. Other international products, including but, not limited to, other Letter Post products, Express Mail Service (EMS), Air Parcels (Air CP), and direct entry packages, may not be commingled in dispatches containing Small Packet with Delivery Scanning (ePacket) items.

2. **Dispatch Identification.** Each dispatch shall contain the bilaterally agreed-upon mail subclass code and unique dispatch numbers, which shall not repeat within any settlement period.
3. **Dispatch Manifesting.** The Parties agree to provide ITMATT, PREDES, and EMSEVT data as set forth in Annex 5. The Parties agree to provide PREDES messaging for each dispatch, including the number of receptacles, total weight and number of pieces contained in each receptacle. The parties shall strive to provide accurate PREDES messaging of 100% of dispatched volume and transmit the PREDES in timely manner. Where deficiencies exist, the two sides shall agree to exchange data and correct deficiencies promptly.
4. **Sortation.** Each sortation of each item in each dispatch must be in accordance with the sortation requirements in Annex 5.

***Financial Requirements***

USPS and Hongkong Post shall settle Small Packet with Delivery Scanning (ePacket) volumes, and any other Letter Post volumes in accordance Annex 7.

***Return Service, Customer Inquiries and Compensation***




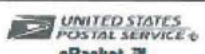

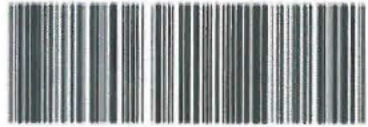
1. **Return Service.** Return service for undeliverable, refused, or missent packages shall be provided consistent with the current procedures for letter-post small packets.
2. **Customer Inquiries.** USPS will not accommodate customer inquiries made by customers in either Hong Kong or the United States through retail units, customer service hotlines, or other channels for Small Packets with Delivery Scanning (ePacket).
3. **Compensation.** USPS does not offer indemnity or insurance for Small Packages with Delivery Scanning (ePacket). Accordingly, unless the Parties agree otherwise in a separate written agreement, USPS shall have no such liability.

***Service Standards***



**Annex 3: Co-Designed Label Sample**

Below is a sample label for Small Packets with Delivery Scanning (ePacket).

|                                                                                                                                   |  |                                                                                                                                                                        |                                                                                               |                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
|                                                  |  | <br> | <br>ePacket™ | <div>Airmail<br/>Postage Paid<br/>Hong Kong Post</div>                                     |
| From:                                                                                                                             |  | FOREIGN SENDER<br>STREET ADDRESS<br>CITY COUNTRY POSTAL CODE                                                                                                           |                                                                                               | <br>11111 |
| TO:                                                                                                                               |  | US RECIPIENT NAME<br>STREET ADDRESS<br>SUITE/ APT NUMBER<br>WASHINGTON DC 11111-1111                                                                                   |                                                                                               |                                                                                            |
| USPS DELIVERY CONFIRMATION<br><br>XXXXXXXXXXXXX |  |                                                                                                                                                                        |                                                                                               |                                                                                            |

**Annex 4: Detailed Item Content Restrictions**

All items mailed under this Agreement must conform to the mailability requirements of the USPS, as detailed in the International Mail Manual sections 135 and 710; the United States country listing in the UPU's List of Prohibited Items; and Domestic Mail Manual section 601. As of the execution date of this Agreement, these materials are available at the following websites, respectively:

[http://pe.usps.com/text/imm/immc1\\_014.htm](http://pe.usps.com/text/imm/immc1_014.htm)

[http://pe.usps.com/text/imm/immc7\\_001.htm](http://pe.usps.com/text/imm/immc7_001.htm)

<http://www.upu.int/en/activities/customs/prohibited-and-restricted-articles/cds-list-of-prohibited-and-restricted-articles.html>

<http://pe.usps.gov/text/dmm300/601.htm>

**Annex 5: Terms for Operational and Transportation Initiatives**

- A. The Parties agree that all inbound settlement rates agreed by the USPS and Hongkong Post are based on the following sortation and inductions by Hong Kong Post.

Based on the first 2-digits of the recipient postal code, Hongkong Post shall induct the corresponding items into the appropriate U.S. point of entry:

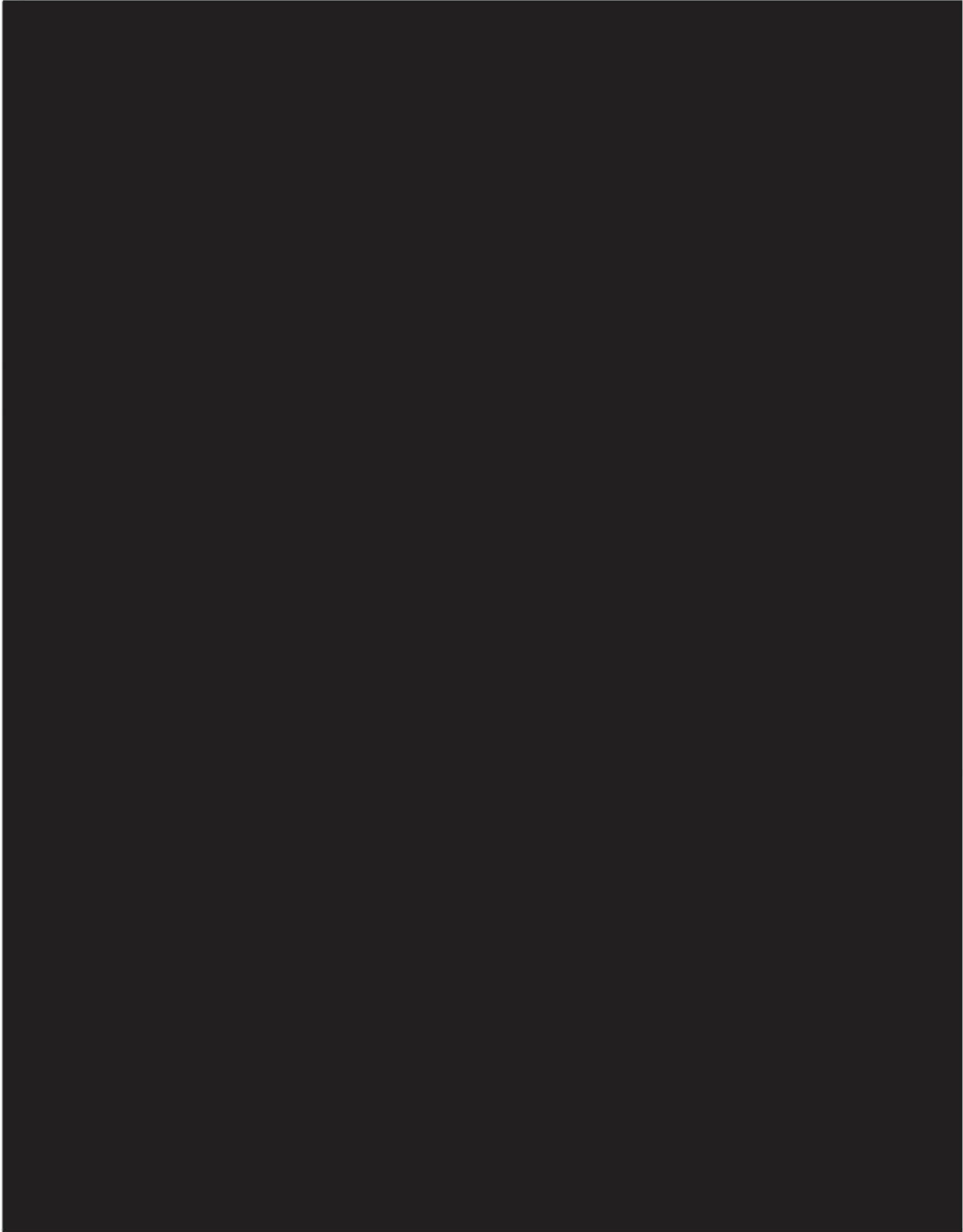
| Nationwide for All OEs  |                   |                     |             |
|-------------------------|-------------------|---------------------|-------------|
| Destination Postal Code | Sort Key on label | U.S. Point of Entry | Requirement |
|                         |                   |                     |             |

For ePackets, based on the first 3-digits of the recipient postal code, Hong Kong Post shall provide an additional 26 sorts and the inductions into the corresponding U.S. points of entry. The detailed sortation scheme follows at the end of this Annex 5.

- B. For services for which this Agreement sets rates, the following requirements apply to all bidirectional flows originating and destinating in the territories served by both Parties under this Agreement:
- 1) Each Party shall generate and transmit, [REDACTED] ITMATT v.8 or higher;
  - 2) Each Party shall generate and transmit [REDACTED], PREDES with item to receptacle information and scheduled flight information;
  - 3) Each Party shall generate for access by the other Party, [REDACTED], EMSEVT v.3 with acceptance event and departure from origin office of exchange event scans.
- [REDACTED]

**Detailed Sortation and Induction Scheme:**

|  |
|--|
|  |
|--|





**Receptacle Tags:**

To facilitate sortation of incoming ePacket volume at US Offices of Exchange and expedite processing, a CN35 must be attached to each bag. The CN35 must contain the appropriate ADC Name and Sort Key for the contents and should be attached to the neck of the closed bag. In addition to the CN35, a red tag must accompany each sack.







**Annex 7: Business Rules for International Mail Settlement for the ePacket Mailstream**

- Mail Streams. The ePacket mail stream consists of A UD BG. Small Packet with Delivery Scanning (ePacket) volumes will be identified and segregated from other Letter Post volume through the assignment of the "UD" mail subclass. Hongkong Post agrees to generate unique dispatch numbers throughout the course of the settlement period.
- Settlement Rate. The settlement rate per piece and per kilogram is set forth in Annex 1. At the end of each calendar quarter, the corresponding rate, as determined in this agreement, shall be applied to the corresponding ePacket volume, as identified by the mail subclass.
- Settlement Documents. USPS will issue a separate ePacket invoice for the ePacket mail stream.
- Settlement Timeline. USPS will prepare a quarterly ePacket invoice separate from the Terminal Dues invoice. The ePacket™ billing cycle and payment term methodology is;



- Exchange Rate. Payment will be made using the first published International Monetary Fund (IMF) exchange rate following the end of the quarter. For example, the payment exchange rate for the January-March quarter will be the rate published on 1 April (or the first business day of the month).
- Discrepancy Settlement Method:
  - Hongkong Post has 30 days to identify and communicate discrepancies after the day of the receipt of the invoice
  - USPS has 30 days to resolve the discrepancies after the day of receiving discrepancy notification from Hongkong Post
  - Payment is due 30 days after USPS resolves the discrepancy
  - If discrepancies are not completely resolved, payment for the non-disputed amount is due in 30 days, after the 30-day reconciliation period.